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INSTITUTIONS AS A DETERMINANT OF ECONOMIC GROWTH

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ABSTRACT:

This paper looks into the question as to why economic growth takes place at different rates over time and across countries from an institutional perspective. It examines the important role of institutions, particularly political institutions, in shaping economic performance. It firstly examines the key theoretical and empirical studies on institutions and growth, and identifying the gap in the existing literature as the lack of understanding on how institutions affect growth. To address this gap, this paper introduces a theoretical model focusing on the characteristics of political institutions related to organisational structure and their impact on economic growth. In doing so, it investigates the mechanisms through which the growth effects of political institutions operate. Preliminary empirical testing results and further implications are discussed.